Testimony of Governor Mike Rounds
At Representative Stephanie Herseth's Field Hearing on the 2007 Farm Bill
Wall, South Dakota, July 31, 2006

Thank you, Representative Herseth, for hosting this field hearing on the 2007 Farm Bill and thank you Representative Moran for being here with us in South Dakota today. We appreciate the fact that people are working in a bipartisan way to create the new farm bill.

In the announcement for this meeting, Representative Herseth said she hoped there would be a focus on the livestock industry at this hearing.

The biggest threat to our livestock industry this year and in many other years is drought.

Right now, many parts of South Dakota are in one of the worst droughts on record in state history. We are experiencing record low precipitation totals for January through June. July precipitation totals will likely be close to record setting lows in many locations as well. Nearly all the state has had less than 50% of their average precipitation over the last 30 days. Large parts have had less than 25%.

This drought is already having serious impacts throughout South Dakota on our water systems, crops and livestock.

For example, the Tri-County (Mni Waste) rural water system that serves Dewey, Ziebach and Meade counties is pumping at maximum capacity and could have difficulty providing enough water to fight fires. They have implemented severe restrictions to maintain water availability.

The crop loss is great in many parts of the state. Most of the Spring and Winter wheat in the north-central and central region of the state is lost. Even if we get "normal" July through August rain, it will not be enough to create a good corn or bean crop.

In a normal year, Walworth County averages 35 bushels of wheat per acre. This year, it is 5 bushels an acre. Four hundred and fifty six producers have lost 80 to 100 percent of their crops.

Ziebach County will have no crops this year. Alfalfa, barley, corn, wheat, oats, and sorghum have been wiped out. Five hundred and eighty nine producers in that county have experienced 90 to 100% losses to their crops. Also, in Ziebach County, during a normal year, pasture land would produce 1 ton of hay an acre. This year, it is only 100 pounds per acre—1/20th of normal.

When there is no pasture or hay, our livestock producers are forced to sell and their incomes disappear. And, unfortunately, once a herd is gone or severely reduced, it takes several years to build it back up again.

This drought's impact on livestock has already been substantial and is getting even worse. Livestock auction markets located in drought impacted regions, which is currently 41 of our 66 counties, have experienced a 79% average increase of sales when compared to last year.

Most producers in the impacted areas are reducing or liquidating their herds. Many producers say this is the worst they have ever seen the country look... and we still have the hotter months in front of us.

Our state Secretary of Agriculture Larry Gabriel fears that many ranchers will sell their entire herds. If that happens, many will choose not to get back into the industry. When it does rain again, many others will not have the financial resources to become livestock producers again.

Those are the problems in the livestock industry that happen during droughts wherever livestock is raised in the United States. Wherever and whenever drought hits in this country, our livestock producers need help.

In her request for South Dakota input, Rep. Herseth also mentioned that there is growing criticism in Congress against farm programs that help our producers, which makes it very difficult to secure disaster assistance even when the needs are so clearly visible in drought years.

Secretary Gabriel and I are here to offer a solution for you to consider. It is actually a concept first offered to Congress during the 2002 drought by former Governor Bill Janklow. It didn't have a name in 2002, but today we call it "Science-Based Drought Assistance."

By "science," we mean the science of moisture.

Our proposal would provide assistance to livestock and crop producers in proportion to the reduced production caused by the absence of moisture. Payments would be calculated based upon the deviation from normal moisture as it affects the productivity of the land. Compensation is tied directly to the crops or livestock forage that did not grow because of inadequate moisture. That's the basic concept.

We believe this approach has two very important immediate benefits.

Using science based calculations in a pre-set formula would provide the right amount of help to the right people. Therefore, it would significantly decrease the criticism in Congress and elsewhere that some producers are getting too much help and others too little.

Using science based calculations would also help to bring some stability to a chaotic situation because producers would know what help they would be getting depending on the lack of moisture as it applies to their land and production capability.

In applying this concept to a drought feed assistance program, here are some of the basic qualities that should also be included in creating the formula:

- The program should include livestock owners that have sold all or a portion of their animals.
- It should not diminish assistance to livestock owners that have managed for drought by maintaining an adequate supply of feed;
- It should target disaster assistance to producers of food and fiber by degree of impact; and
- It should assist livestock owners moving animals to feed and livestock owners keeping animals and buying feed.
- It should not be a disincentive to purchasing crop insurance.
- It should help minimize the raising of the price of livestock feed.
- It should not result in income from the drought disaster assistance that is greater than income expected during a normal year.

The over-riding logic here is that moisture and production are directly related. A percentage deviation from normal moisture available can be used to assess a percentage of lost productivity. Then, assistance can be based on that lost productivity.

We believe this "Science-based Drought Assistance" program would also be more acceptable to Congress because it would also include qualifications and limitations on assistance to make sure abuses are prevented and producers are treated fairly.

For example, to qualify for drought disaster assistance, land must be located within a county that has received a primary drought disaster determination or declaration. Drought disaster assistance shouldn't begin until there is at least a certain percentage of lost productivity that Congress would need to put into law.

Producers entitled to drought disaster assistance would be persons who own the right to harvest a crop or the right to graze land.

In the case of persons who lease land for cropping or grazing, only those who rent land on a cost-per-acre or share-cropping basis would be entitled to drought disaster assistance. Share-croppers would be entitled to a pro rata share of loss payment according to their ownership interest in the crop.

Producers who purchase animal unit months of grazing would not be entitled to compensation based upon a decline in animal unit months available for purchase. Such a decline is a loss incurred by the owner of the land.

Those are some of the details that would need to be determined and I've asked Secretary Gabriel to provide more details about options when he speaks. But, what we hope you will first consider is the basic concept we are proposing.

We are proposing "Science-Based Drought Assistance."

We believe assistance to livestock and crop producers should be provided in proportion to the reduced production caused by the absence of moisture.

Then, the payments to help producers would be calculated based upon the deviation from normal moisture as it affects the productivity of the land.

Thank you very much for listening to this concept.

There are two other critical points that I would like to mention for your consideration:

First, the Conservation Reserve Program (CRP) has been a critical component for South Dakota Agriculture. Our producers have utilized CRP to enhance soil and water quality, provide key wildlife habitat and significantly add to our economic diversity related to hunting and tourism. Hunting, fishing and outdoor recreation are important to our quality of life in South Dakota and these activities also provide nearly $400 million annually to our economy, with much of this economic activity occurring in our rural farm and ranch communities.

CRP is very popular with our landowners because it is a voluntary program that allows them to partner with other government programs and private interests to diversify their income while achieving soil and water conservation on their lands.

In addition, CRP has provided much needed emergency hay in drought years and this has made a big difference for our ranchers ability to survive in times of extended drought, such as we are experiencing now.

We support a strong Conservation Title for the 2007 farm bill which reauthorizes the current CRP program.

Second, I hope you will help your fellow representatives who don't come from rural areas to understand a key point that makes our farmers and ranchers very different from all of the other producers in our national economy.

Unlike manufacturers, service providers, retailers, wholesalers and everyone else, the farmers and ranchers of America cannot pass on their increased costs to the consumers.

Farmers and ranchers don't control the prices they receive for their products. In agriculture, buyers and transportation providers determine price. That makes agriculture and our farmers and ranchers uniquely vulnerable in our national economy. I hope you will help the other members of Congress understand this key point.

Again, we appreciate the holding of this hearing in South Dakota. You and all of the other members of the House Agriculture Committee have a very difficult task and an awesome responsibility in writing the 2007 Farm Bill.

Throughout your deliberations, please don't hesitate to call us for state and local information that can be helpful to you.

Thank you very much.